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BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 89-601-W/S - ORDER NO. 91-218  
MARCH 27, 1991

IN RE: Application of Wild Dunes Utilities, )  
Inc. for approval of new schedules of ) ORDER  
rates and charges for water and sewer ) ON REHEARING  
service provided to its customers in )  
its service area in South Carolina. )

I.

INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of a rehearing held in the above-captioned case on January 17, 1991, pursuant to Commission Order No. 90-796 of August 22, 1990.

The issue in the hearing was limited to whether or not Wild Dunes Utilities, Inc. ("the Company" or "Wild Dunes") had reduced or "lost" expenses due to Hurricane Hugo and whether or not the rates and charges approved by this Commission in Order No. 90-650, issued July 3, 1990, should be reduced accordingly.

Testimony was presented by Carl J. Wenz, Director of Regulatory Accounting for Utilities, Inc., Wild Dunes' parent company, and by Vivian B. Dowdy, an accountant for the Commission Staff. Mr. Wenz testified that careful analysis of lost expenses due to Hurricane Hugo did result in some expenses not incurred, but

that the cost savings to consumers would be minimal and immaterial. The Company, therefore, recommended that such savings be ignored since the ratemaking process is not an exact science and that the savings did not appreciably impact the returns authorized in the case. Staff testimony presented by Vivian B. Dowdy, however, revealed savings of \$5,513.00 in expenses not incurred, due to Hurricane Hugo. According to Ms. Dowdy, these savings were as follows: \$680.00 savings associated with not billing 500 customers; \$277.00 savings for lack of consumption for 500 customers placed off-line due to Hugo; \$839.00 savings from a decrease in chlorine usage; \$1,576.00 savings due to an decrease in electric expense; \$775.00 savings due to a decrease in chemical expense for sewers; and liability insurance savings of \$1,366.00 due to loss of revenues, for a total of \$5,513.00 in expenses that Wild Dunes did not incur due to Hurricane Hugo.

II.

FINDINGS OF FACT

Based upon the testimony and exhibits received into evidence at the rehearing and the entire record of these proceedings, the Commission now makes the following findings of fact:

1. That Wild Dunes Utilities, Inc. is a water and sewer utility providing water and sewer service in its service areas within South Carolina, and its operations in South Carolina are subject to the jurisdiction of the Commission, pursuant to S.C. Code Ann. §58-5-10, et seq. (1976), as amended.

2. That \$5,513.00 should be deducted from operating expenses as a result of Hurricane Hugo.

3. That consistent with Order No. 90-650, the reduction in these expenses is to be amortized over a five-year period.

4. That the appropriate operating revenues under the revised approved rates are \$903,035.00.

5. That the appropriate operating expenses, including taxes, for the Company's South Carolina operations are \$532,265.00.

6. That the Company's appropriate level of net operating income after accounting and pro forma adjustments is \$370,770.00.

7. That the appropriate net income for return under the revised rates as approved and after all accounting and pro forma adjustments is \$377,444.00.

8. That the Commission will use the operating margin as a guide in determining the lawfulness of the Company's proposed rates and the fixing of just and reasonable rates.

9. That the Commission found, in Order No. 90-650, that a fair operating margin that the Company should have the opportunity to earn was 26.92%; however, the removal from consideration of the \$5,513.00 in "lost" operating expenses would cause this operating margin to increase, therefore, revenue must be reduced from that revenue found in Order No. 90-650 to approximate that original operating margin.

10. That the appropriate operating revenues under the revised approved rates should be reduced from \$905,509.00 as found in Order No. 90-650 to \$903,035.00.

11. That a fair operating margin that the Company should have the opportunity to earn is 26.79%, which is produced by the appropriate level of revenues and expenses found reasonable and approved herein.

12. That the rates and charges depicted in Appendix A attached herein and incorporated by reference are approved, effective for service rendered on and after the date of this Order.

13. That all overcharges inconsistent with this Order after July 3, 1990, should be calculated by the Company and refunded or credited to the customers of the utility with twelve percent (12%) interest per annum within sixty (60) days from the date of this Order

14. That the Company should report its calculations and the amount of proposed refunds or credits to its customers to the Commission as soon as is practicable after the calculations are made.

### III.

#### EVIDENCE AND CONCLUSIONS

##### EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 1

The evidence supporting this finding concerning the Company's business and legal status is contained in the Company's application and in prior Commission orders and the docket files, which the

Commission takes notice of. This finding of fact is essentially informational, procedural and jurisdictional in nature, and the matters which it involves are essentially uncontested.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NOS. 2 AND 3

The evidence for the findings concerning the adjusted level of operating revenues is found in the testimony and exhibits of Commission Staff witness Dowdy and Company witness Wenz.

Whereas, the Company sets out a savings of \$1,385.00 for electricity and \$1,210.00 for chemicals, the Company summarizes by saying that the cost savings were minimal and immaterial, and therefore, the Company recommended that such savings be ignored since "the ratemaking process is not an exact science and these savings do not appreciably impact the returns authorized in this case." Commission witness Dowdy pointed out the following savings due to Hurricane Hugo: postage - \$680.00; water electric expense - \$277.00; chemical expense for water - \$839.00; sewer electric expense - \$1,576.00; chemical expense for sewer - \$775.00; liability insurance savings - \$1,366.00 for a total of \$5,513.00 in identified total savings. Further, those savings should be properly amortized over a five-year period as Hurricane Hugo costs were ordered to be amortized in Order No. 90-650. As has been stated, this Commission hereby approves the revenue on rehearing of \$903,035.00, a difference of \$2,474.00 from the original approved revenue figure of \$905,509.00.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT  
NOS. 4, 5, 6, AND 7

The evidence for the findings concerning the adjusted level of operating revenues, expenses, and net income for return is found in the testimony and exhibits of Company witness Wenz and Commission Staff witness Dowdy.

Based on the Commission's determinations concerning the additional accounting adjustments to the Company's revenues and expenses and its determination as to the appropriate level of revenues and expenses, net income for return is found by the Commission as illustrated in the following table:

TABLE A

NET INCOME FOR RETURN

BEFORE RATE INCREASE

Operating Revenues	\$610,861
Operating Expenses	420,994
Net Operating Income	<u>189,867</u>
Interest During Construction	-0-
Customer Growth	3,417
Net Income for Return	<u><u>\$193,284</u></u>

AFTER RATE INCREASE

Operation Revenues	\$903,035
Operating Expenses	532,265
Net Operating Income	<u>370,770</u>
Interest During Construction	-0-
Customer Growth	6,674
Net Income for Return	<u><u>\$377,444</u></u>

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 8, 9, 10 AND 11

The evidence for the findings concerning the operating margin is found in the testimony and exhibits of Company witness Wenz and Commission Staff witness Dowdy.

The Commission has found that a fair operating margin the Company should have an opportunity to earn is 26.79%, which requires annual operating revenues of \$903,035.00. This is based on the Commission's determination that the operating margin shall be used as a guide in determining the lawfulness of the Company's proposed rates and the fixing of just and reasonable rates. The following table reflects an operating margin of 26.79%:

TABLE C

Operating Revenues	\$903,035
Operating Expenses	532,265
Net Operating Income	<u>\$370,770</u>
Add: Customer Growth	6,674
Total Income for Return	<u>\$377,444</u>
Operating Margin (After Interest)	<u>26.79%</u>

Whereas, the Commission is aware that this Order on Rehearing reduces the originally approved revenues by \$2,474.00 annually, the Commission believes that the schedule of rates and charges approved herein depict just and reasonable rates.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NOS. 12, 13, AND 14

WATER

The Company currently charges \$9.00 a month for its basic facility charge for water service and \$2.20 a month as a commodity charge per 1,000 gallons. The Commission believes in order to

properly take into account the effect of the "lost" expenses from Hurricane Hugo, that the commodity charge of \$2.20 per 1,000 gallons should be reduced to \$2.19 per 1,000 gallons, as should the irrigation charge. All other rates for water, as approved in the Commission's Order 90-650 of July 3, 1990, shall remain the same.

#### SEWER

The Company presently charges its sewer customers \$9.00 a month per unit as a basic facilities charge, and \$2.80 a month as a commodities charge per 1,000 gallons of water consumed for both residential and commercial customers. It is the opinion of this Commission, in order to give credence to the reduced expenses due to Hurricane Hugo, the commodity charge of \$2.80 per 1,000 gallons of water should be reduced to \$2.79 per 1,000 gallons of water.

The Commission finds that all miscellaneous revenues for both water and sewer should be adjusted accordingly.

The Commission also finds and concludes that the rates and charges approved herein achieve a balance between the interest of the Company and those of its affected customers. This results in a reasonable attainment of our ratemaking objectives in light of applicable statutory safeguards.

The Commission also finds and concludes that, in consonant with the above-stated reasoning, the Company should calculate all refunds or credits due from July 3, 1990, the date of Order No. 90-650 and forward until the date of this Order, and include in this calculation 12% interest per annum. Further, the Commission



believes that said refunds or credits should be completed within 60 days of this Order, and that all amounts should be reported to this Commission as soon as is practicable after said calculation.

All other provisions of Order No. 90-650, issued July 3, 1990, not modified by this Order should remain in effect until further Order of the Commission.

IT IS THEREFORE ORDERED:

1. That \$5,513.00 in lost expenses due to Hurricane Hugo should be reflected in the rates and charges of this Company.

2. That the schedule of rates and charges attached hereto as Appendix A be, and hereby are, approved for service rendered on or after the date of this Order and the schedules be, and are hereby deemed to be filed with the Commission pursuant to S.C. Code Ann. §58-5-240 (1976, as amended).

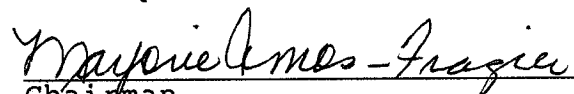
3. That any charges over and above those approved by this Order that have been collected since the date of Order No. 90-650 shall be refunded or credited, with twelve (12%) percent interest per annum, to the utility's customers within sixty (60) days from the date of this Order.

4. All other provisions of Order No. 90-650 not modified by this Order shall remain in full force and effect.

5. That this Order shall remain in full force and effect until further Order of the Commission.

IT IS SO ORDERED.

BY ORDER OF THE COMMISSION:

  
Chairman

ATTEST:

  
Executive Director

(SEAL)

WILD DUNES UTILITIES, INC.

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APPENDIX A

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WATER

MONTHLY CHARGES

Residential - Monthly charge per single-family house, condominium, mobile home or apartment unit:	\$9.00
Commodity Charge:	\$2.19 per 1,000 gals.
Commercial - Monthly Charge	\$9.00 per SFE
Commodity Charge:	\$2.19 per 1,000 gals.

IRRIGATION CHARGES

Residential & Commercial - \$2.19 per 1,000 gallons

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

All meters will be read and bills rendered on a bimonthly basis.

When, because of the method of water line installation utilized by the developer or owner, it is impractical to meter each unit separately, service will be provided through a single meter, and consumption of all units will be averaged; a bill will be calculated based on that average and the result multiplied by the number of units served by a single meter.

2. NON-RECURRING CHARGES

- a. Water service connection charge per  
single-family equivalent \$100.00
- b. Plant Impact fee per single-family  
equivalent \$700.00

The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating of a non residential customer is less than one (1). If the equivalency rating of a non residential

customer is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the water system is requested.

3. ACCOUNT SET-UP AND RECONNECTION CHARGES

- a. Customer Account Charge: A fee of \$25 shall be charged as a one-time fee to defray the costs of initiating service.
- b. Reconnection Charges: In addition to any other charges that may be due, a reconnection fee of \$35 shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-732.5. The amount of the reconnection fee shall be in accordance with R.103-732.5 and shall be changed to conform with said rule as the rule is amended from time to time. Customers who ask to be reconnected within nine months of disconnection will be charged the monthly base facility charge for the service period they were disconnected.

4. Billing Cycle

Recurring charges will be billed bimonthly in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

5. Late Payment Charges

Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half percent (1 1/2%) for each month, or any part of a month, that said payment is late.

6. Tax Multiplier

Except as otherwise provided by contract approved by South Carolina Public Service Commission, amounts paid or transferred to the utility by customers, builders, developers or others, either in the form of cash or property, shall be increased by a cash payment in an amount equal to the income taxes owed on the cash or property transferred to the utility by customers, builders, developers, or others and properly classified as a contribution or advance in aid of construction in accordance with the Uniform System of Accounts. Included

in this classification are water service connection charges and plant impact fees.

7. Construction Standards

The Utility requires all construction to be performed in accordance with generally accepted engineering standards, at a minimum. The Utility from time to time may require that more stringent construction standards be followed.

8. Extension of Utility Service Lines and Mains

The Utility shall have no obligation to extend its utility service lines or mains in order to permit any customers to connect to its water system, if it is not economically feasible to do so. However, anyone or entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, pay the appropriate fees and charges as set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service.

**SEWER**

MONTHLY CHARGES

Charge for Sewage Collection and Treatment Service

Residential - monthly charge per  
single-family house, condominium,  
mobile home, or apartment unit: \$9.00 per unit

Commodity Charge: \$2.79 per 1,000  
gallons of water consumption

Commercial - monthly charge: \$9.00 per SFE

Commodity Charge: \$2.79 per 1,000  
gallons of water consumption

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

In the case of a landlord/tenant relationship where the tenant is the customer, the Utility may require the landlord to execute an

agreement wherein such landlord agrees to be responsible for all charges billed to that premises in accordance with the approved tariffs and the Rules of the Commission, and said account shall be considered the landlord's and tenant's account. In the event the landlord refuses to execute such an agreement, the Utility may not discontinue service to the premises unless and until the tenant becomes delinquent on his account or until the premises are vacated. The Utility may discontinue service pursuant to R.103-535.1 if the account is delinquent or may discontinue service at the time the premises are vacated and the utility shall not be required to furnish service to the premises until the landlord has executed the agreement, and paid any reconnection charges.

2. NON-RECURRING CHARGES

- |    |   |          |
|----|---|----------|
| a. | Sewer service connection charge per single-family equivalent: | \$100.00 |
| b. | Plant Impact fee per single-family equivalent:                | \$700.00 |

The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating of a non residential customer is less than one (1). If the equivalency rating of a non residential customer is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the water system is requested.

3. NOTIFICATION, ACCOUNT SET-UP AND RECONNECTION CHARGES

- a. Customer Account Charge: A fee of twenty-five dollars (\$25.00) shall be charged as a one-time fee to defray the costs of initiating service. This charge will be waived if the customer also takes water service.
- b. Reconnection Charges: In addition to any other charges that may be due, a reconnection fee of two hundred fifty dollars (\$250.00) shall be due prior to the Utility reconnection service which has been disconnected for any reason set forth in Commission Rule R.103-532.4. The amount of the reconnection fee shall be in accordance with R.103-532.4. and shall be changed to conform with said rule as the rule is amended from time to time. Customers who ask to be reconnected within nine months of disconnections will be charged the monthly base facility charge for the service period they were disconnected.

- c. Notification Fee: A fee of four dollars (\$4.00) shall be charged to each customer to whom the utility mails the notice as required by Commission Rule R.103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the costs.

4. Billing Cycle

Recurring charges will be billed bimonthly in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

5. Late Payment Charges

Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half percent (1 1/2%) for each month, or any part of a month, that said payment is late.

6. Tax Multiplier

Except as otherwise provided by contract approved by South Carolina Public Service Commission, amounts paid or transferred to the utility by customers, builders, developers or others, either in the form of cash or property, shall be increased by a cash payment in an amount equal to the income taxes owed on the cash or property transferred to the utility by customers, builders, developers, or others and properly classified as a contribution or advance in aid of construction in accordance with the Uniform System of Accounts. Included in this classification are water service connection charges and plant impact fees.

7. Toxic and Pretreatment Effluent Guidelines

The Utility will not accept or treat any substance or material that has not been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Health and Environmental Control (DHEC) as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR 403.5 and 403.6 are to be processed according to pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or

entity introducing any such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the utility for all damages and costs, including reasonable attorney's fees, incurred by the utility as a result thereof.

8. Construction Standards

The Utility requires all construction to be performed in accordance with generally accepted engineering standards, at a minimum. The Utility from time to time may require that more stringent construction standards be followed.

9. Extension of Utility Service Lines and Mains

The Utility shall have no obligation to extend its utility service lines or mains in order to permit any customer to connect to its sewer system, if it is not economically feasible to do so. However, anyone or entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, pay the appropriate fees and charges as set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service.